



Strategies to Support the Survival and Growth of Small Businesses in the 11 County Twin Cities Metro Area

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Executive Summary

This document presents the findings and recommendations of a cooperative project conducted with the Minnesota Department of Employment and Economic Development (DEED), Minnesota Department of Transportation (MnDOT), Metropolitan Council (METC) and the McKnight Foundation to inventory and evaluate the public/profit/non-profit small business assistance system for Minnesota's small businesses and identify strategies to strengthen Minnesota's small businesses survival and growth.

Some of the characteristics of the current small business climate in Minnesota include:

- For the five year period from 2006-2011, Minnesota is ranked 37th for 5-year business start-up survival rates.
- For 2012, Minnesota ranks last (50th) in all 50 states for entrepreneurial activity according to the Kauffman Foundation's Index of Entrepreneurial Activity. This is down from a rank of 10th in 1998.
- Over the past five years (2008-2012), venture capital investments in total dollars in Minnesota have decreased 45% compared to 17% nationally.
- Minnesota ranks 10th in business friendliness in a recent national survey sponsored by the Kauffman Foundation.
- Minnesota ranks highest for unemployment disparities in the country

Small businesses are an essential part of our economy in Minnesota, and the survival and growth of small businesses is vital to the economic sustainability of individuals, families and communities. Various organizations across Minnesota exist to provide support to small businesses but the services are not coherently organized, well-advertised, nor easily accessible which complicates the difficulty small businesses have navigating the resources available while still maintaining operations.

Also, a wide array of minority owned small businesses have multiple, additional and unique challenges. These challenges are of particular concern with Minnesota having one of the highest rates of minority employment disparities in the nation. Minnesota's minority population is the fastest growing demographic in the state and the importance of this demographic to the State's economy is significant. One of Governor Dayton's Jobs Initiative priorities is to identify strategies that will reduce the employment disparity in Minnesota.

This project identified key providers of services and resources available to small businesses including direct financial and technical assistance resources as well as the system in which small businesses find and use these resources. The project also evaluated how small businesses attain public contracts on state funded projects and analyzed barriers, gaps and overlaps in services available, evaluated access to procurement opportunities on state funded projects, and developed recommendations to eliminate barriers, gaps, and overlaps, and improve the support services and state procurement to align with small business needs. The project also developed an inventory and guide of key service providers and programs for small businesses intended to inform small businesses and service providers of existing resources for small businesses.

The project activities were conducted from January 2013 through April 2013. Deloitte Consulting was engaged to conduct this project for the Project Team comprised of representatives from DEED, MnDOT, METC, and the McKnight Foundation. Additional support was provided by the Urban Initiative Board, the Department of Human Rights and the Twin Cities metro Chambers of Commerce. The approach involved working with state agencies, service providers, and small businesses to identify the existing inventory of services and resources available to small businesses including direct financial and technical assistance resources and other services such as

training/education, networking, and business development. The project team met with key stakeholders, - conducted interviews with service providers and subject matter specialists, and conducted focus groups with small business owners to obtain insights into the barriers, gaps and overlaps that exist in services and procurement opportunities provided for small businesses and to develop recommendations to resolve those barriers, gaps, and overlaps.

The responses from service providers and small businesses indicate the following as top barriers for survival and growth of small businesses:

- Access to information on available resources and opportunities
- Access to capital to maintain and grow their businesses
- Access to technical assistance and training
- Access to state and local government contracting opportunities

To address these challenges, the following recommendations have been developed from interviews with service providers, focus groups of small businesses, and input from project team members:

Recommendations

- **Barrier: Access to Information**
 - Host Annual Small Business Summits
 - Develop an On-Line Small Business Assistance Portal
 - Promote and Fund Affinity and Networking Groups of Small Business Owners and Buyers to Share Experiences and Knowledge.
- **Barrier: Access to Capital**
 - Establish a State-Funded Working Capital Loan Fund for State-Funded Construction Projects
 - Continue to Support Small Business Loan Programs
 - Expand access to Capital for Start-up Businesses
 - More Funding for Expand access to capital for Second-Stage Small Businesses
 - Promote and Implement More Creative Lending Practices
- **Barrier: Access to Technical assistance**
 - Expand Access to General and Specialized Technical Assistance
 - Promote and Fund On-Location Technical Assistance
- **Barrier: Access to Government Contracting Opportunities**
 - Consolidate and Streamline Preference Certifications Process for W/MBEs
 - Identify Criteria to Unbundle Selected Portions of Large Projects that Small Businesses can Provide Effectively and Efficiently
 - Promote Contractor Teaming of S/W/M/VBEs when Bidding on State Contracts
 - Apply Best Value Criteria instead of Low Bid
 - Create an Online Portal for Contract Opportunities
 - Major Government Entities Provide Incentives for Prime Contractors to Utilize S/W/M/VBEs.
 - Improve S/W/M/VBE Subcontractor Utilization and Compliance and Require Remedies for Identified Violations
 - Create Unified Directory of Minority-Owned and Women-Owned Businesses
 - Create a Board that Includes S/W/M/VBEs to have Governance or Input Regarding Policy Recommendations Related to Diversity and Inclusion
 - State Government Entities Adopt the Minnesota Department of Transportation's (MnDOT) Payment Terms to Subcontractors on Construction Projects
 - Encourage Inclusion of Service-Disabled Veteran-Owned Businesses

- Include Provisions in Contracts to Waive Bonding Requirements for SBEs
- Barrier: Disconnection of Existing Resources to Support Small Business Development
 - Align Existing Resources Within DEED to Provide Coordinated Strategic Leadership Across Multiple State Agencies, Partners and Stakeholders for Small Business Development and Assistance

This document describes each of the recommendations, provides a summary and details of the challenges, needs, barriers, gaps, and overlaps in services and procurement opportunities, and provides a summary of leading practices for providing services for small businesses.

Scope and Approach

Scope

The scope of this study included:

- **Geographic Area:** The focus is the Twin Cities Metro Area 11 counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties with a special emphasis on counties with the largest number of small businesses.
- **Small Business Owner:** This is defined as Twin Cities metro-based business owners that have been in business for at least 1 year with more than 3 employees and less than 50 employees and \$10 million in revenue and faces barriers to survival and growth. Special emphasis was given to resources that target
 - minority, veteran or woman business owners
 - businesses that currently do business with the State, or could do business with the state.
- **Customer:** The assessment was performed from the perspective of the “customer” and was specifically focused on addressing the technical and capital needs of the “customer”.
- **Provider:** This includes key providers identified by the project team that provide small business services and resources including, but not limited to:
 - State and local government entities
 - Chambers of commerce
 - Economic/community development corporations
 - Business Associations
- **Stakeholder groups included the following:**
 - State government entities
 - County and city government entities
 - Chambers of commerce
 - Small businesses with the above mentioned business scope criteria
 - Economic/community development corporations
 - Small business associations
 - Other subject matter specialists

Approach

The recommendations are the result of the activities conducted during the project which included:

- Interviews with organizations providing support services to small businesses
- Focus Groups with small businesses
- Input from project team members representing Minnesota Department of Employment and Economic Development (DEED), Minnesota Department of Transportation (MnDOT), Metropolitan Council and The McKnight Foundation
- Research of leading practices

Interviews were conducted with the following organizations providing support to small businesses:

- African Development Center (ADC)
- Asian Economic Development Association (AEDA)
- Association of Women Contractors (AWC)
- Bywater Business Solutions
- City of Brooklyn Park, Economic Development Division
- Hennepin County, Community and Economic Development
- Hispanic Chamber of Commerce Minnesota
- Latino Economic Development Center (LEDC)
- Metropolitan Economic Development Association (MEDA)
- Metropolitan Consortium of Community Developers (MCCD)

- Midwest Minority Supplier Diversity Council (MMSDC)
- City of Minneapolis, Department of Community Planning & Economic Development
- Minnesota Chamber of Commerce
- Minnesota Department of Transportation (MnDOT)
- National Association of Minority Contractors (NAMC) - Upper Midwest Chapter
- Neighborhood Development Center (NDC)
- Northside Economic Opportunity Network (NEON)
- ProBID
- Saint Paul Area Chamber of Commerce
- Twin Cities Small Business Development Center
- SPARC
- WomenVenture

Focus groups were conducted with small businesses in the following categories:

- Minority-Owned, Women-Owned, and Veteran Owned
- Contractors
- Suppliers
- General Small Business

The following acronyms are used within this report.

ADC: African Development Center
AEDA: Asian Economic Development Association
AWC: Association of Women Contractors
DBE: Disadvantaged Business Enterprise
DVBE: Disabled Veteran Business Enterprise
DEED: Minnesota Department of Employment and Economic Development
LEDC: Latino Economic Development Center
MBE: Minority Business Enterprise
MEDA: Metropolitan Economic Development Association
MetC: Metropolitan Council
MMSDC: Midwest Minority Supplier Diversity Council
MnDOT: Minnesota Department of Transportation
NAMC: National Association of Minority Contractors
NDC: Neighborhood Development Center
NEON: Northside Economic Opportunity Network
SBE: Small Business Enterprise
SDVO: Service-Disabled Veteran-Owned
SDVOSB: Service-Disabled Veteran-Owned Small Business
TGB: Targeted Group Business
TG/ED: Targeted Group Economically Disadvantaged
VBE: Veteran Business Enterprise
VOSB: Veteran-Owned Small Business
WBE: Women's Business Enterprise
WCFL: Working Capital Loan Fund

Summary of Challenges, Needs, Barriers, Gaps, and Overlaps

This study included focus groups with small business owners and interviews with organizations that provide services to small business. This section contains a summary of the challenges, needs, barriers, and gaps, overlaps identified from these focus groups and interviews. *Appendix B, Details of Challenges, Needs, Barriers, and Overlaps*, contains the detailed findings. For the purpose of this study, the following definitions were used:

Challenges – Difficulties in efforts for the organization to survive and grow. Although difficult, these are not adversities that are so insurmountable that they will cause the organization to fail.

Needs – Requirements for the organization to survive and grow.

Barriers – Obstacles that impede or prevent the organization from surviving, growing, or succeeding in a particular objective.

Gaps – Missing necessities that impede or prevent the organization from surviving, growing, or succeeding in a particular objective.

Overlaps – Duplication of services and resources for small businesses.

The following subsections contain summaries organized as follows:

- Needs, challenges, barriers, and gaps for all small businesses
- Additional needs, challenges, barriers, and gaps that are unique for minority-owned small businesses
- Additional needs, challenges, barriers, and gaps that are unique for women-owned small businesses
- Additional needs, challenges, barriers, and gaps that are unique for veteran-owned small businesses
- Additional needs, challenges, barriers, and gaps that are unique for contractors and suppliers on government-funded projects
- Needs, challenges, barriers, and gaps for providers. Additionally, overlaps with provider services.

ALL SMALL BUSINESSES

The results of the interviews with service providers and focus groups with the small businesses indicated that overall, small businesses face similar challenges; have common needs, and experience the similar barriers and gaps with regard to access to services and resources and procurement opportunities. These commonalities are summarized below:

GROUPING	GREATEST NEEDS	TOP CHALLENGES	BARRIERS AND GAPS
All Small Businesses	<ol style="list-style-type: none"> 1. Financing 2. Working capital 3. Capital to grow 4. Access to procurement opportunities 5. Education on all aspects for running a business such as accounting, sales, marketing, and operations 	<ol style="list-style-type: none"> 1. Access to financing 2. Low collateral 3. Lack of access to procurement opportunities 4. Resources and knowledge necessary to manage a growing business 	<ol style="list-style-type: none"> 1. Access to procurement opportunities 2. Access to capital 3. Awareness of available small business resources 4. Perception that government and prime contractors tend to work with incumbents or known businesses. 5. No single directory to search for S/W/M/VBEs

ADDITIONAL and UNIQUE for MINORITY-OWNED, WOMEN-OWNED, and VETERAN-OWNED SMALL BUSINESSES

Minority-owned, women-owned, and veteran-owned small businesses have additional unique challenges and face additional barriers and gaps. These additional issues are summarized the table below. Please refer to Appendix B for additional detailed data.

GROUPING	GREATEST NEEDS	TOP CHALLENGES	BARRIERS AND GAPS
Minority-Owned Small Businesses	<ol style="list-style-type: none"> 1. Information from government entities that take into consideration language differences 2. Streamlined certification process 	<ol style="list-style-type: none"> 1. Different minority groups have different challenges with regard to legal status, religious affiliation, and language. 2. Certification process 	<ol style="list-style-type: none"> 1. Language and cultural differences 2. Hesitation to approach government regarding regulations, compliance, laws, and other similar items 3. Experiences of racial discrimination with regard to financing 4. Government outreach programs that do not take into consideration cultural and language differences
Women-Owned Small Businesses	<ol style="list-style-type: none"> 1. Streamlined certification process 	<ol style="list-style-type: none"> 1. Perception that women are not as capable as men in certain industries, such as construction 2. Certification process 	<ol style="list-style-type: none"> 1. "Glass ceiling" phenomena as it applies to business opportunities
Veteran-Owned Small Businesses	<ol style="list-style-type: none"> 1. Access to government contracts 	<ol style="list-style-type: none"> 1. Lack of resources and support organizations such as chambers of commerce 2. Veteran-owned businesses are not recognized and provided similar benefits for federally funded construction contracts administered by MnDOT, MC, MAC, and other local branches of federal agencies 	<ol style="list-style-type: none"> 1. Access to government contracts

ADDITIONAL AND UNIQUE FOR CONTRACTORS AND SUPPLIERS

Contractors and suppliers for state-funded contracts also have common and unique challenges while facing similar barriers and gaps. These are summarized in the table below. Please refer to Appendix B for the detailed data.

GROUPING	GREATEST NEEDS	TOP CHALLENGES	BARRIERS AND GAPS
Small Business Contractors and Suppliers on Government-Funded Projects	<ol style="list-style-type: none"> 1. Awareness of opportunities 2. Awareness of available resources 	<ol style="list-style-type: none"> 1. Certification process 2. Bidding on low-price is difficult for due to inability to get volume discounts from wholesalers or manufacturers 3. Payment terms from Prime Contractors or certain government units are too long 4. Fear that filing a protest with a government unit could lead to denial of future opportunities 	<ol style="list-style-type: none"> 1. State-funded projects too large to bid directly 2. As a subcontractor, after contract award, given the low-margin work from prime contractors 3. As a subcontractor, after contract award, not given any work from prime contractors 4. W/M/VBE liaisons do not have the authority for remediation of disparities, if needed. 5. Bonding requirements 6. Retainage requirements 7. Lack of networking opportunities 8. Lack knowledge of available providers

SUMMARY OF ALL PROVIDERS

During interviews with providers, common concerns regarding challenges, needs, barriers, gaps, and overlaps consistently rose to the top. The table below shows the key leading concerns expressed by providers. Please refer to Appendix B for the detailed data.

ORGANIZATION		GREATEST NEEDS	TOP CHALLENGES	BARRIERS AND GAPS	OVERLAPS
Summary of All Providers		<ol style="list-style-type: none"> 1. Funding to hire more staff for technical assistance 2. Funding options for small businesses that lack traditional qualifications 	<ol style="list-style-type: none"> 1. Capacity to meet demand 2. Capacity to conduct more outreach programs 	<ol style="list-style-type: none"> 1. Ability to provide more technical assistance due to lack of resources and funds. 2. Ability to staff specialists. 3. Ability to provide non-traditional financial assistance to small businesses that do not meet the traditional qualifications, such as credit history and collateral 4. Financial assistance for start-ups 5. Availability of mentors 	<ol style="list-style-type: none"> 1. Many providers indicated an overlap of services in the Twin Cities area for financial assistance and technical assistance.

Barriers and Recommendations

The recommendations are grouped into broad categories identified as barriers to survival and growth for small business. These include:

- Barrier: Access to Information
- Barrier: Access to Capital
- Barrier: Access to Technical Assistance
- Barrier: Access to Government Contracting Opportunities
- Barrier: Lack of Alignment of Existing Resources

The structure of each recommendation is as follows:

Title: The heading title of the recommendation.

Impact Type: The impact type can be one or more of the following:

- Increased Access to Capital
- Increased Access to Opportunities
- Process Improvement
- Quality Improvement
- Cost Mitigation
- Satisfaction Improvement
- Disparity Reduction
- Education

Benefit Impact: The benefit impact of the recommendation can be one of the following:

- High
- Medium
- Low

Cost Impact: The cost impact of the recommendation can be one of the following:

- High
- Medium
- Low

Timeline: The timeline for implementation can be one of the following:

- Short term
- Medium term
- Long term

Description: of the recommendation.

Barriers, Gaps or Overlaps Addressed: This describes the barriers being addressed by the recommendation.

Barrier: Access to Information

A wide array of information services and resources are available to help small business start, survive, grow and access opportunities. However many small business owners report difficulty in knowing when and where to go to get the information they need. Business owners are busy running their business and are challenged with spending limited time and resource trying to navigate the system to find the information they need to survive and grow. In addition many providers note they are not always aware of all the resources that are available to assist their small business customers.

There is clear need to improve the system through collaboration and information sharing between small business resources providers and clear need to support the infrastructure through which collaboration and information sharing can take place. In addition businesses report that some of the most helpful information they receive is from other business owners with similar experiences. They expressed a need for more learning opportunities and found value in to participate in networking events.

The following service providers have expressed their concern that small businesses owners experience a lack of information and that information gaps exist. Participants in the four focus groups in this study expressed similar concerns about lack of information and information gaps.

- African Development Center (ADC)
- Asian Economic Development Association (AEDA)
- Association of Women Contractors (AWC)
- City of Brooklyn Park, Economic Development Division
- Hennepin County Community and Economic Development
- Hispanic Chamber of Commerce
- Latino Economic Development Center (LEDC)
- Metropolitan Economic Development Association (MEDA)
- Metropolitan Consortium of Community Developers (MCCD)
- Midwest Minority Supplier Diversity Council (MMSDC)
- City of Minneapolis, Department of Community Planning & Economic Development
- Minnesota Chamber of Commerce
- National Association of Minority Contractors (NAMC) - Upper Midwest Chapter
- Neighborhood Development Center (NDC)
- Northside Economic Opportunity Network (NEON)
- ProBID
- Saint Paul Area Chamber of Commerce
- Twin Cities Small Business Development Center
- SPARC
- WomenVenture

Recommendations

The following three recommendations have been identified to address the Access to Information barrier:

1. Host Annual Small Business Summits
2. Develop an Online Small Business Portal
3. Promote and Fund Affinity and Networking Groups of Small Business Owners and Buyers to Share Experiences and Knowledge.

Recommendation #1: Host Annual Small Business Summits

Impact Type:	Education; Increased Access to Capital; Increased Access to Opportunities; Process Improvement; Satisfaction Improvement; Disparity Reduction Education	Timeline:	Short - Medium Term
Cost Impact:	Low	Benefit Impact:	High

Description:

An annual small business summit should be developed to provide a forum for providers of small business services, small business owners and representatives, lenders, buyers, and other organizations and individuals to share information on topics relevant to the survival and growth of small businesses. The Summit should include topics such as: improving the access to capital for small businesses, use of technology to align small business needs with providers and buyers, training in technical assistance, accessing government contracts and other procurement opportunities. The Summit should include an exhibit hall for providers, buyers, and businesses, speakers, roundtable forums, networking opportunities, and presentations and workshops.

Leading Practices:

Constructing Success 2013 is a local, one-day event of learning and relationship building for small, minority, and women owned businesses in the construction industry. This event was sponsored by prime contractors, government entities such as Metropolitan Council, MnDOT, City of St. Paul, and associations such as the National Association of Minority Contractors. Refer to Appendix A: Leading Practices.

The City of Columbus' Mayor's Small Business Conference and Expo is annual event with the October 3, 2012 conference marking its 10th. The theme of the 2012 conference was, "Go Forward: Driving Local Economic Growth through Small Business Inclusion and Sustainability." For more information please refer to *Appendix A: Leading Practices*.

The Small Business Lending Summit, held in Washington, D.C. on April 17, 2012 is an example of a conference for small businesses with a narrower focus. Facilitated by the International Franchise Association, the overall theme was the access to financing challenges of all small businesses. Speakers at the summit included Neal Wolin, Deputy Treasury Secretary; Karen Mills, administrator of the Small Business Administration; Don Graves, executive director of the President's Council on Jobs and Competitiveness, and three presentations were given by members of Congress. The summit was hosted by a large number of sponsors, including American Express Merchant Financing, BBVA Compass, Consumer Bankers Association, Bank of America, U.S. Bank, CIT Bank, Coca-Cola, PepsiCo, International Franchise Association, FASTSIGNS, among others.

Recommendation #2: Develop an On-Line Small Business Assistance Portal

Impact Type:	Process Improvement Cost Mitigation Satisfaction Improvement	Timeline:	Long Term
Cost Impact:	High	Benefit Impact:	High

Description:

Develop one comprehensive on-line Small Business Assistance Portal for small businesses that has the following features which are described below:

1. Online Directory of Service Providers and Buyers
2. Push Technology, Social Media and Blogs to Push Small Business Information to Providers and Small Businesses to Allow for Shared Knowledge, Community Discussions, and Electronic Publications
3. E-Learning Models That Can Be Used by Governmental Entities and Providers
4. Glossary of Terms and List of Acronyms Related to Business Development, Financing, Procurement, and Provider Services
5. Demographic and Firmographic Database Solutions for Providers and Small Businesses

Leading Practices:

The Southern Minnesota Source Link is partnership between the U of M Rochester, Blandin Foundation, Southern Minnesota Initiative Foundation and AgStar Financial Services. It provides a comprehensive resource navigator that connects a network of area nonprofit resource organizations that provide business-building services for small businesses. They facilitate the linking of these resource organizations to one another and to established, emerging and start-up small businesses throughout the region.

The Minnesota Chamber BusinessConnect is a partnership between the Minnesota Chamber of Commerce and Minnesota Department of Employment and Economic Development. It provides an online guide to resources available to help small business start, grow and survive. The BusinessConnect phase has yet to reach full implementation.

Features of an On-Line Small Business Portal

1. Online Directory of Service Providers and Buyers

Small business owners have indicated they are not fully aware of the services providers and the support and resources available from each of the providers. A comprehensive and centralized directory would include the following key features:

- One-time self-registration of small businesses, providers, and buyers identifying needs and objectives
- A Wizard that applies 'business rules' to match needs with opportunities
- Community for businesses to provide guidance to other businesses
- Keyword searching
- On-line networking opportunity between businesses, providers, buyers
- Single point of access for W/MBE certification

2. Push Technology and Social Media

Small business owners often lack the available resources and time to search for information and the most relevant information needed by a business owner can be 'pushed' to them leveraging appropriate and emerging technologies such as push technology, mobile apps, and social media.

Push technology allows information to be pushed to the user, as opposed to requiring the user to search and retrieve the information. Push users are able to subscribe to topics specific to their profile and needs, such as regulatory licensing changes, new technical assistance trainings offered, or new loans available. Examples of push technology include alerts, publications, and notifications to a user's smart phone or sending emails that are context sensitive based on the user's profile.

Social media can be used to communicate relevant knowledge through affinity groups and share more focused information among small business owners with common needs and challenges.

Push technology, mobile apps, social media, and similar technologies should be developed to push relevant information to the small business owners to and to facilitate knowledge sharing among the business community. Service providers, governmental entities at all levels, small businesses, and other stakeholders should have the ability integrate and contribute relevant content.

3. E-Learning Modules

E-Learning can provide broad access to opportunities for small business entrepreneurs to acquire training at a time and location that is convenient for the small business. Benefits of an e-learning platform include:

- Less expensive
- No travel time required
- Self-paced
- Can be accessed 24/7 to meet the learners schedule
- Can be provided to broader audience without geographic constraints³

4. Glossary of Terms

Some governmental entities have a glossary of terms to assist small businesses, such as MnDOT's Glossary of Terms and the Department of Admin's MMD Glossary of Procurement Terms. However no single and unified glossary of terms exists for small business seeking information related to economic development, financing, procurement, providers, government services, and provider services. A glossary of terms would assist the small businesses in understanding the terms related to the language of growing their business.

5. Demographic and Firmographic Database Solutions

For service providers to better understand their target market and population, it is essential that they have comprehensive and current demographic and firmographic data. This data can be either consumer data or business data. This data is often available from major consumer and business data providers as well as niche compilers. However, the cost is often prohibitive for a single provider. A consolidated effort may make the data more readily available with shared costs.

Better demographic/firmographic data will assist providers with better understanding of their population to help guide them on various aspects such as service offering strategies, advertising of services, and marketing campaigns. Some providers have indicated that they need to better understand their population in order to better advertise the availability of their loans.

Recommendation #3: Expand State Support of Small Business Networking Opportunities to Improving the Sharing of Experiences and Knowledge.

Impact	Access to Opportunities	Timeline:	Medium Term
Type:	Education	Benefit	High
Cost	Medium	Impact:	

Description:

The ability for small business owners to share knowledge with peers is invaluable to their success. Small business owners have expressed a great need for networking opportunities. Affinity and networking groups are forums to meet these needs. During the focus groups conducted for this study, the small business owner indicated that simply participating in the focus group was extremely valuable.

Leading Practices:

The Metropolitan Council and MnDOT host several networking and meet-and-greet events to support their MBE, DBE and WBE contracting goals. As an example, a recent pre-bid meeting and DBE prime meet and greet hosted by Metropolitan Council Environmental Service (MCES) included:

- Project information from Designers and MCES PM
- Project's Goals (MBE & WBE)
- Good Faith Requirements & Guidelines
- Meet Contractors and Subcontractors
- Tour plant project locations to be successful in estimating

The U.S. General Services Administration, Office of Small Business Utilization hosts several networking events for small businesses. As an example, the following was posted for the Kansas City Small Business Networking Event for May 14, 2013:

"Come to historic Union Station to share and increase your business opportunities by building new relationships with some of the 150 attendees - from small to large business, government reps and business resource providers."

Barrier: Access to Capital

Small business owners have expressed accessing capital a top challenge they face for the survival and growth of their businesses. Over the past few years small business owners have experienced a drop in the value their assets reducing their ability lend off collateral. In addition lending requirements are higher at institutional lenders that are still recovering from loses of the great recession. These factors have made access to capital more difficult for many small business owners. Additional many barriers exist for many minority and woman owned businesses in accessing the capital their business need to survive and grow.

In addition to the general difficulty small business face in accessing capital, the study identified the following specific challenges:

- Financing (both equity and debt) for small business start-ups
- Financing for small business expansions
- Working capital to fulfill federal, state and local government contracts
- Access to more flexible financing tools

The following service providers we interviewed stated that access to capital was a top issue for their small business customers.

- African Development Center (ADC)
- Asian Economic Development Association (AEDA)
- Association of Women Contractors (AWC)
- City of Brooklyn Park, Economic Development Division
- Hennepin County Community and Economic Development
- Hispanic Chamber of Commerce
- Latino Economic Development Center (LEDC)
- Metropolitan Economic Development Association (MEDA)
- Metropolitan Consortium of Community Developers (MCCD)
- Midwest Minority Supplier Diversity Council (MMSDC)
- City of Minneapolis, Department of Community Planning & Economic Development
- National Association of Minority Contractors (NAMC) - Upper Midwest Chapter
- Neighborhood Development Center (NDC)
- Northside Economic Opportunity Network (NEON)
- ProBID
- Twin Cities Small Business Development Center
- SPARC
- WomenVenture

Recommendations

The following four recommendations have been identified to address the Access to Capital barrier:

1. Establish a State-Funded Working Capital Loan Fund for State-Funded Construction Projects
2. Continue to Support Small Business Loan Programs
3. Expand Financing Opportunities for Early Stage Small Businesses
4. Support More Creative Lending Practices

Recommendation #1: Establish a State-Funded Working Capital Loan Fund for State-Funded Construction Projects

Impact Type:	Increased Access to Capital Increased Access to Opportunities	Timeline:	Short - Medium Term
Cost Impact:	Medium - High	Benefit Impact:	High

Description:

The state currently offers a federally funded working capital loan fund (WCLF) for certified DBE firms under contract with MnDOT on federally funded projects. This report recommends establishing a state-funded WCLF for certified TB/ED firms under contract on state-funded construction projects. This program can be modeled after MnDOT's federal WCFL. The WCLF in this recommendation would be available for all small businesses under contract on all state-funded construction projects.

Leading Practices:

MnDOT's working capital loan fund can be used as a reference model which is described as follows:

Program Requirements

- Applicants may apply for up to \$60,000 for multiple projects, but no more than \$25,000 for a single project.
- Funds from the Mn/DOT WCLF are only for certified DBE firms under contract on Mn/DOT federally funded projects. This includes eligible projects let by local agencies (Mn/DOT project numbers starting with SP or SAP).
- The Mn/DOT WCLF requires matching sources of funding (Company, Vendor, Bank, or other) that equal or exceed the amount financed by the Mn/DOT WCLF.
- Interest rates not to exceed 8%.
- Loans are project specific and are to be repaid at the completion of your portion of the contract.
- Eligible uses of funds include:
 - Project mobilization
 - Payroll
 - Materials
 - Equipment rental
 - Working capital

Recommendation #2: Continue to Support Small Business Loan Programs

Impact Type:	Increased Access to Capital Increased Access to Opportunities	Timeline:	Short - Medium Term
Cost Impact:	Medium - High	Benefit Impact:	High

Description:

This report recommends continuing to support loan programs like the Urban Initiative Loan program and the Emerging Entrepreneur Fund. These programs distribute loan funds to a network on non-profit agencies that provide financing and technical assistance to small businesses. Small

business owners and providers have identified that programs like this are very valuable and effective in supporting the survival and job-growth of many small businesses.

These funds are flexible tool that can be used to support start-up and second stage businesses. These programs have high job growth impact when used to support second stage business with the capacity to grow but are short of being bankable.

In the 2012 annual report for the Urban Initiative Loan program the agency reports that of 167 “active” participants a total of 681 jobs have been created with \$3.7 million in loan funds disbursed. This comes out to \$5,487 in loans fund per job. UI loans funds are expected to effectively run out by 2015.

Recommendation #3: Expand Access to Capital for Early Stage Small Businesses

Impact Type:	Increased Access to Capital Increased Access to Opportunities	Timeline:	Medium - Long Term
Cost Impact:	Medium – High	Benefit Impact:	High

Description:

The Kaufman Index of Entrepreneurial Activity, a leading indicator of new business creation, ranks Minnesota last compared to other states for 2012. This is the lowest ranking since the beginning of the index in 1996. It is critical to continue fostering and supporting the emergence of new businesses with innovative and creative ideas to continue to build the pipeline for second stage businesses. It is the start-ups that will transition to second-stage businesses and contribute to large job creation and economic development. Therefore, seeding and growing a large pool of successful start-ups is important to potential economic impact in the future. As a result, more funding for early stage companies should be provided. This may include, but not be limited to entrepreneurs looking to take research to the marketplace, individuals with an innovative idea, or early stage companies.

Governor Dayton’s Small Business Capital Access Task Force, Final Report to the Governor, dated October 2011, provides several recommendations related to providing incentives for investors and funding of growth companies.

Small Business Capital Access: A Review of Current Practices, by the Minnesota Department of Employment and Economic Development, dated June 2011, describes active changes to improve small business capital formation in other states, such as recommendations to create a state-supported seed capital fund.

Leading Practices:

The Maine Technology Institute (MTI) is an industry-led, publicly-funded, nonprofit corporation that offers early-stage capital and commercialization assistance in the form of competitive grants, loans and equity investment for the research, development and application of technologies that create new products, processes and services, generating high-quality jobs across Maine. Established by the Maine State Legislature in 1999, every \$1 of MTI funds received generates an additional \$14 in non-MTI funding. Since 2000, MTI has funded 1,295 technology projects in Maine, a financial commitment of \$106 million that has leveraged over \$173 million in additional funding for a total of \$280 million.

The Maryland Technology Development Corporation (TEDCO) was created by the Maryland State Legislature in 1998 to facilitate the transfer and commercialization of technology from Maryland’s research universities and federal labs into the marketplace and to assist in the creation and

growth of technology-based businesses in all regions of the State. TEDCO offers mentoring, funding, networking for business at all these critical stages:

- Idea stage
- Start-ups
- Established companies striving to reach the next stage

Recommendation #4: Support More Creative Lending Practices

Impact Type:	Increased Access to Capital Increased Access to Opportunities	Timeline:	Medium - Long Term
Cost Impact:	Medium - High	Benefit Impact:	High

Description:

Rather than focusing solely on collateral, past credit history, and current revenues, lending practices should also focus on future opportunities. It is clear that many small business entrepreneurs lack collateral and credit history and revenue; however, this does not necessarily translate to their ability to successfully grow their small businesses. Their lack of collateral and credit history may be artificial barriers to realize significant economic growth that would benefit communities. Future looking lending focuses on the potential assets of the business. This could include, but not limited to, a current awarded contract, a new purchase order, or guaranteed sales based on the acquisition of inventory.

In lieu of a businesses' credit history or collateral, an awarded PO or contract could be considered as collateral to obtain working loans, such as working capital. This practice can be especially effective with construction projects and is already implemented by some governmental entities such as MnDOT.

State lending programs should incorporate the input of creative financing lenders and forward-looking industry experts in financing decisions. Lenders should include experts in non-traditional financing including, but not limited to, angel investors, venture capitalists, and experts in business valuation. This could be in the form of innovative partnerships with the public sector and the private sector. Also a key component could be a managed fund. Additionally, lenders should include decision-makers with industry experience, such as restaurant, retailers, professional services, and construction, specific industry experts relevant to the borrower's industry (such as medical devices manufacturing, technology professional services, trucking, stadium construction, retail, fast food restaurants, and others).

Barrier: Access to Technical Assistance

Technical assistance is consistently identified by providers as one of their highest impact services they provide and has been identified by small businesses as one of their greatest needs. Simply providing loans to small businesses without accompanying technical assistance is not as effective as when technical assistance is provide in concert with financial resources. Very few funding resources exist to allow providers to meet the demand for technical assistance.

In addition, the geographic location of available technical assistance has been identified as a challenge for many small business owners. Providers with technical assistance are often not conveniently located.

A strategy to support early and ongoing technical assistance is a key strategy to improve Minnesota's small business survival rate.

Recommendations

The following two recommendations have been identified to address the Access to Technical Assistance barrier.

1. Expand Access to General and Specialized Technical Assistance
2. Promote and Fund On-Location Technical Assistance

Recommendation #1: Expand Access to General and Specialized Technical Assistance

Impact Type:	Education Increased Access to Opportunities Increased Access to Capital	Timeline:	Medium - Long Term
Cost Impact:	Medium - High	Benefit Impact:	High

Description:

Small business owners and providers have indicated technical assistance as being extremely valuable to their survival and growth. Providers have indicated that funding for technical assistance is their #1 need to improve the success and survival of the business that receive loans.

Technical assistance funding is scarce and more challenging to obtain than loan funds. The most effective technical assistance is provided by "specialists". Non-specialists can have a dramatic negative outcome for small business survivability by the providers not offering optimal assistance or even worse, providing erroneous advice or direction. Market compensation rates for specialists are high. However, budgets for providers are small. It is recommended that the State should provide more funding for technical assistance, with an emphasis on providing sufficient funds for providers to hire "specialists."

The funding should also be applied to supporting the technical assistance consultants to provide the assistance at locations convenient for small business owners.

Leading Practices:

MCCD's Open to Business Program offers their consultants to travel to cities around the metro to provide technical assistance to small businesses on-location.

Recommendation #2: Promote and Fund On-Location Technical Assistance

Impact Type:	Education	Timeline:	Medium Term
Cost Impact:	Medium	Benefit Impact:	Medium

Description:

The availability of technical assistance in geographic locations convenient for small business owners has been identified as a barrier. Coincidentally, technical assistance is one of the highest value benefits contributing to the survival and growth of small businesses.

Leading Practices:

Hennepin County is providing various funding methods to support its Open to Business model, in partnership with MCCD, to provide one-on-one consulting technical services at the city’s location. This was a program developed from a successful partnership between Hennepin County and Brooklyn Park. The Business Development Manager at Brooklyn Park has identified this as a high impact offering from MCCD. The state should promote and provide funding for similar models and/or support the expansion of the Open to Business program.

Barrier: Access to Government Contracting Opportunities

Small businesses have identified multiple gaps and barriers with access to government contracts. Top concerns were:

- Contracts too large for small businesses to bid directly
- Lack of compliance by prime contractors for S/W/M/VBE utilization
- Lack of authority by S/W/M/VBE liaisons to remedy utilization violations
- Confusion and unawareness of certification requirements and processes
- Tendency for buyers to work with incumbents or known entities

Recommendation to Address Access to Government Contracts Barrier:

The following recommendations have been identified to address the Access to Government Contracts barrier:

1. Consolidate and Streamline Preference Certifications Process for W/MBEs
2. Identify Criteria to Unbundle Selected Portions of Large Projects that Small Businesses can Provide Effectively and Efficiently
3. Promote Contractor Teaming of S/W/M/VBEs when Bidding on State Contracts
4. Apply Best Value Criteria instead of Low Bid
5. Create an Online Portal for Contract Opportunities
6. Major Government Entities Provide Incentives for Prime Contractors to Utilize S/W/M/VBEs
7. Improve S/W/M/VBE Subcontractor Utilization and Compliance and Require Remedies for Identified Violations
8. Create Unified Directory of Minority-Owned and Women-Owned Businesses
9. Create an Advisory Group that Includes S/W/M/VBEs to Provide Advice on Governance and Insights Regarding Policy Recommendations Related to Diversity and Inclusion
10. State Government Entities Adopt the Minnesota Department of Transportation's (MnDOT) Payment Terms to Subcontractors on Construction Projects
11. Encourage Inclusion of Service-Disabled Veteran-Owned Small Businesses/Veteran-Owned Small Business
12. Include Provisions in Contracts to Waive Bonding Requirements for SBEs

Recommendation #1: Consolidate and Streamline Preference Certifications Process for W/MBEs

Impact Type:	Increased Access to Contracting Opportunities	Timeline:	Short - Medium Term
Cost:	High	Benefit:	Medium
Impact:		Impact:	

Description:

Many federal, state and local governments provide preferences for certain targeted business groups for contracting opportunities. Targeted groups include minority-owned businesses, woman owned businesses, and veteran owned businesses; businesses under a certain size, businesses located in economically depressed areas and local businesses. Each certification regime at the federal, state and local level has different requirements and protocols for certification.

Many small business owners have expressed confusion with the certification requirements and certification processes for various entities. This confusion has been identified by small business owners as a significant issue when seeking work on government funded projects.

Small business owners would benefit from a consolidated and streamlined process for certifications. Also, many providers would benefit by being help to their customer navigate the certification process more easily.

This report recommends creating a “one-stop certification process” to consolidate and streamline the certification process for minority-owned and women-owned businesses. The goal a streamlined certification process would be to ease the burden on small business, service providers and the certifying entities

Solutions for a consolidated and streamlined certification process to be considered, but not limited to, are the following:

1. A single umbrella entity that can provide guidance and referrals to entrepreneurs of the available government agencies/departments or other organizations responsible for certifications.
2. A single entity that is responsible for all certifications.

Challenges to Implementation:

Each certification at the federal, state, and local level has different requirements and protocols for certification which need to be considered. The consolidation and streamlining of the certification process will present significant challenges to implement for many of the certifying entities. In addition there are concerns that a consolidated certification process could place additional burdens on certifying entities that mitigate the over-all value of the program.

Leading Practices:

A reference model is the Oregon Office of Minority, Women and Emerging Small Business (OMWESB). This office is within Business Oregon, an Oregon state agency. The office administers the Disadvantaged Business Enterprise (DBE), Minority Business Enterprise (MBE), Women Business Enterprise (WBE) and Emerging Small Business (ESB) certification programs. These programs are designed to promote economic opportunities for small businesses.

As the sole certification authority in Oregon, OMWESB provides a “one-stop” certification process for Oregon disadvantaged, minority, woman-owned, and emerging small businesses. Certification opens the door to targeted government contracting opportunities.

The office offers four types of certifications to qualified Oregon businesses.

Certification program:	Certification is for:	If the business is:
<u>Emerging Small Business(ESB)</u> <i>Tier 1</i>	contracting opportunities with city, county, state and special jurisdictions	<ul style="list-style-type: none"> • 19 or fewer employees • 3-year gross annual receipts construction firms ≤\$1,760,495 non-construction firms ≤\$704,198
<i>Tier 2</i>	contracting opportunities with city, county, state and special jurisdictions	<ul style="list-style-type: none"> • 29 or fewer employees • 3-year gross annual receipts construction firms ≤\$3,520,990 non-construction firms ≤\$1,173,663
<u>Minority Business Enterprise (MBE)</u>	contracting opportunities with city, county, state and special jurisdictions	<ul style="list-style-type: none"> • owned and controlled by a member of a recognized minority group • minority has 51% + ownership
<u>Women Business Enterprise (WBE)</u>	contracting opportunities with city, county, state and special jurisdictions	<ul style="list-style-type: none"> • owned and controlled by woman • woman has 51% + ownership

<u>Disadvantaged Business Enterprise (DBE)</u>	contracting opportunities with recipients of <i>federally-funded</i> transportation-related projects	<ul style="list-style-type: none"> • owned and controlled by woman OR member of recognized minority group
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MEDA, with funding from the McKnight Foundation, is currently exploring a certification gateway platform and process. Essentially, the process begins with the business completing a single online form, submitting the form, and receiving results regarding eligibility for various certification programs. Furthermore, the single form can be used as a basis for multiple certifications, thereby reducing duplication among common required data for each certification organization. There are likely collaboration opportunities with MEDA's efforts.

Recommendation #2: Identify Criteria to Unbundle Selected Portions of Large Projects that Small Businesses can Provide Effectively and Efficiently

Identify opportunities to unbundle portions of projects when a small business could deliver those portions as effectively and efficiently as a larger prime without increased risk or cost. Many large projects, especially in construction, bundle multiple disciplines into a single RFP that only a large prime contractor has the ability to fulfill. Small businesses with a narrower focus of services or products do not have the capacity to bid. Appropriate portions of large projects could be unbundled to allow inclusion of small businesses to bid directly as appropriate when a small business could provide the work as efficiently and effectively as a larger prime contractor.

MnDOT is using a variation of this by using subcontracting language on state funded projects to instruct prime contractors to utilize small businesses in specific areas. MnDOT is finding this tool for small business inclusion more effective than unbundling large projects where small businesses are not yet capable of bidding as primes. Specific contract language instructs the prime contractor to subcontract specific bid items.

Another advantage of unbundling and focusing specific portions of a larger procurement to small businesses is the opportunity for the small business to focus on only the portion of the RFP requirements relevant to their industry, product, or services, thereby mitigating unnecessary time and effort required for them to digest an entire RFP which is typically very onerous for a larger project.

Recommendation #3 Promote Contractor Teaming of S/W/M/VBES when Bidding on State Contracts

Governmental entities should promote the concept of contractor teaming of multiple S/W/M/VBES to team and bid on contracts as a partnership. This allows firms to the capability and opportunity to bid directly, as opposed to subcontracting with a Prime Contractor. A key success factor is the ability for the collaborative to work as a team and managed as a single team. Governmental entities should provide training on this teaming. The promotion and support can include, but not limited to, government outreach programs, newsletters, and teaming language in RFPs.

A specific role should be created to champion this effort and to advise S/W/M/VBEs on how to team and bid on contracts. As an example, a team of small businesses successfully partnered and won a bid on a portion of the Vikings stadium construction.

The Tri-County Metropolitan Transportation District of Oregon (TriMet) has also embraced this concept. A group of 17 small, local trucking firms partnered to form the NE Urban Truckers Consortium and was successful in a \$2.3M bid on the TriMet MAX contract.

Recommendation #4: Apply Best Value Criteria instead of Low Bid

For state-funded construction projects, the preference for minority/women/veteran owned businesses should be applied to a combination of criteria and not solely on price. Small businesses are not able to obtain the volume discounts from suppliers and therefore, small businesses are at an additional disadvantage when bidding on state-funded construction projects when price criteria is the sole determining criteria. Additional criteria could include, but not be limited to: work references, work history, skills, and number of minority/women/veteran employees.

Recommendation #5: Create an Online Portal for Contract Opportunities

Small business owners are challenged with searching multiple locations for government contracts. A single online portal should be available for all government contracts to be listed. This includes government entities at all levels. Furthermore, businesses should have the ability to subscribe to opportunity types relevant to them so that they are notified only of opportunities that fit their capabilities and meet their interests.

Recommendation #6: Major Government Entities Provide Incentives for Prime Contractors to Utilize S/W/M/VBEs

Many Prime Contractors are accustomed to utilizing incumbent S/W/M/VBEs as subcontracts. To encourage broader participation of S/W/M/VBEs, major government entities should consider providing prime contractors incentives for utilization of S/W/M/VBEs, when possible and appropriate.

The Colorado Department of Transportation's (CDOT) ESB Program provides incentives for prime contractors to utilize ESB subcontractors. The ESB Program seeks to assist small businesses in obtaining work on CDOT construction, professional service, and research contracts. CDOT provides incentives to primes for the utilization of ESB subcontractors/subconsultants on their highway construction, design and study contracts, offers projects restricted for bidding only by ESBs, and provides free technical assistance to firms.

Recommendation #7: Improve S/W/M/VBE Subcontractor Utilization and Compliance and Require Remedies for Identified Violations

S/W/M/VBEs have expressed barriers and gaps with prime contractors' compliance of S/W/M/VBE subcontracting requirements. Furthermore, these entrepreneurs have experienced lack of

remediation for apparent violations after complaints or protests where submitted to the S/W/M/VBE liaisons. Government entities should improve the tracking of subcontractor utilization. Also, government entities should enforce the S/W/M/VBE liaisons authority to remedy validated violations.

Government entities should leverage technology to automate the compliance tracking processes and to track compliance data. A technology solution can be built, purchased, or a combination of purchase and custom integration. Key features should include:

- Tracking construction, service, supply, and professional service contracts
- Maintaining compliance with the United States Department of Transportation federal regulation 49 CFR Part 26
- Contractors submit monthly/quarterly utilization reports online, and automatically track MWDBE goals
- MWDBE subcontractors verify contractor payment data online, including prompt payments of subcontractors

Examples of compliance questions that a compliance product should be able to address include:

- What was the percentage of spend with SMWDBE firms in the third quarter of 2012?
- What proportion, in dollar terms, of contract award were made to firms owned by Hispanic males in January 2013?
- What is the aggregate SMWDBE rate for your top 10 contracts?
- What is the current SMWDBE rate on all of your organizations active contracts?
- What fraction of professional services were performed by American Indian businesses in the second half of 2012?
- How many HVAC contractors within fifty miles are woman-owned small businesses?

Additional contract management technologies offer these key features:

- Track prime and M/WBE subcontractor goals, waivers, and utilization plans
- Ability to assign funding sources and report by funding source and diversity type
- Track subcontractors and subcontractor tiers.
- Track retainage
- Track MBE participation on multiple contract purchase types such as capital construction, commodities, small procurement, and credit card.

Recommendation #8: Create Unified Directory of Minority-Owned and Women-Owned Businesses

Provide a single directory for general contractors and government entities to access for outreach, notification of RFPs, and solicitation of potential subcontractors. The directory should have the ability to search by, but not be limited to, the following criteria:

- Certification Number
- Firm Name
- NAIC code
- NIGP Code
- Certification Type
- Location (County, City)
- Ethnicity Goals
- Keyword Search for Firm Capability

A one-stop certification process would facilitate the implementation of this recommendation.

Recommendation #9: Create an Advisory Group that Includes S/W/M/VBEs to Provide Advice on Governance and Insights Regarding Policy Recommendations Related to Diversity and Inclusion

An advisory group should be established that is dedicated to providing advice on the governance of policy regarding diversity and inclusion of small businesses that would be responsive to issues related to small business survival and growth. The small business participants of the focus groups described this role of small businesses providing advice and guidance to governance and policies as a significant tool to represent the concerns of small businesses.

Recommendation #10: State Government Entities Adopt the Minnesota Department of Transportation's (MnDOT) Payment Terms to Subcontractors on Construction Projects

MnDOT's payment terms of two times per month to subcontractors on construction projects have been viewed favorably by the participants of entrepreneurs in this study. As a result, it is recommended other state entities adopt similar payment terms, when applicable and appropriate.

Leading Practices:

The Port Authority of New York and New Jersey's Set-Aside Program has potential provisions for subcontractors to be paid twice per month, in order to assist small businesses to meet their payroll commitments. Specifically, from their website:

Payment Information

Contracts prepared under the M/W/SBE Set-Aside Program may contain provisions to pay the contractor twice a month to further assist smaller firms in meeting their payrolls.

M/W/SBE Special Payment Programs are available to help small business maintain a cash flow.

Recommendation #11: Encourage Inclusion of Service-Disabled Veteran-Owned Small Businesses/Veteran-Owned Small Business

The state should encourage utilization of SDVOSB/VOSBs, where appropriate and feasible under federal and state regulations and guidelines. State government entities such as MnDOT and the Metropolitan Council currently have goals or preferences for veteran-owned businesses. This recommendation is for a state-driven effort to convey stronger encouragement for the utilization of SDVO businesses.

Leading Practice:

Indiana Governor Michael Pence issued Executive Order 13-04 establishing the Veteran Business Enterprise Preference presumption. The Executive Order states the DOA shall undertake efforts to increase contracting opportunities for Indiana veteran-owned businesses by setting a goal to procure 3 percent of state contracts with such companies. For more information, refer to the Appendix A: Leading Practices.

Recommendation #12: Include Provisions in Contracts to Waive Bonding Requirements for SBEs

To encourage and mitigate the bonding and insurance challenges for small businesses, there could be provisions in the contracts to waive bonding requirements for SBEs. Prime contractors also should explore ways to help remove those financial barriers by utilizing creative alternatives to merely passing on the costs and obligations of bonding and insurance directly to the SBE's.

Some prime contractors have begun the practice of first reviewing the overall bonding and insurance requirements on a proposed project with their own internal risk management personnel. Based upon factors such as the size of the project, an evaluation of the financials of the proposed SBE, and the type of work to be performed, it may be possible for the prime contractor to make a decision to impose no bonding or reduced bonding requirements.

Leading Practice:

The North Carolina Department of Transportation's (NCDOT) SBE program allows for the waiving of bonding requirements on contracts with SBEs. This applies to high contract jobs with SBEs of annual gross incomes of up to \$1.5M, excluding materials.

Barrier: Disconnection of Existing Resources to Support Business Development

There are a number of programs at the state level to support small business development. However service providers and small business owners have expressed frustration with the current alignment of those resources. Small business owners have difficulty understanding where to go to find the resources they need. In addition public and private sector provide are often unaware of all the resources that are available to assist their customers. Small businesses would benefit from better orchestration and coordination within and between state agency programs that serve small businesses.

In addition many of the recommendations that address the barriers and gaps outlined in this report will require strategic thought leadership and a coordinated effort to implement effectively across state agencies, DEED's small business programs, Federal SBA programs, the Small Business Development Center network, and the Minnesota SBDC network. This new leadership should be provided by DEED.

Currently DEED's small business programs are coordinated across three departments, The Small Business Assistance Office, the Office of the State Director for Small Business Development Center Network and Office of Business Finance.

- Office of Small Business Assistance: maintains a small business help-line that fields approximately 20,000 inquiries a year from small businesses, answering questions and making referrals. In addition a the Office is also responsible for publishing and maintaining guides such as the "Guide to Starting a Small Business" and a newsletter
- Office of the State Director for the Minnesota Small Business Development Center Network. This office provides support and reporting functions to the nine federal-supported SBCD offices around the state.
- Office of Business Finance administered smalls business finance program such as the state Urban Initiative Loan Program and the federal Emerging Entrepreneur Program

There is a need to realign resources and expand the functions of the office to provide proactive, strategic small business development, planning, partner coordination, outreach, advocacy and orchestration across multiple state programs.

Recommendation #1: Align Resources With-in DEED to Provide Coordinated Strategic Leadership Across Multiple State Programs for Small Business Development

Description:

This report recommends reforming and enhancing the role of the Small Business Assistance Office and appointing an Executive Director that reports directly to the Commissioner's Office. The Small Business Assistance Office would incorporate the functions the functions of the State Small Business Development Office. In addition the Small Business Development Office would have the following functions:

- Lead strategies to help small businesses navigate and access resources available within the system.
- Build partnership relationships with providers, subject matter experts, state and federal agencies
- Become a centralized point of small business information for providers, partners and businesses.

- Develop and maintain the Small Business Assistance On-line Portal
- Monitor resources available to small businesses and utilize technology to disseminate information to small businesses and providers.
- Organize outreach events such as Annual Small Business Summit, forums and networking events
- Establish a primary point of contact for and coordinate programs for S/W/M/VBEs
- Support small business advocacy initiatives.
- Integrate efforts with other existing state agency programs (i.e. Export 101 trainings).

Appendix A: Leading Practices and Tools

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
Astia	Financing	<p>Astia is a not-for-profit organization with a goal is to identify and incubate (or “accelerate”) women-founded technology and life science companies with large market potential. Through a series of programs and its network of investors, Astia provides access to start-up or growth capital. Astia was renamed from Women’s Technology Cluster (WTC). Headquartered in San Francisco, California, U.S., the WTC was founded as part of the Three Guineas Fund in 1999, by Cate Muther, former CMO of Cisco Systems, and was spun off in 2003 as an independent non-profit.</p> <p>Since 2003, Astia has worked with over 250 women-led companies that have:</p> <ul style="list-style-type: none"> • Raised over \$1 billion • Maintained a greater than 60% funding success rate within one year of joining Astia • Achieved 22 exits, including 2 IPOs 	<p>http://astia.org</p> <p>http://www.kauffman.org/uploadedfiles/CapAccessWomen110606.pdf</p>
Connecticut / Small Manufacturers Competitiveness Fund (SMCF)	Financing	SMCF provides financial and technical assistance to small manufacturers - quick access to technical and financial assistance programs to help purchase machinery and equipment, train employees in areas such as product development, marketing, exporting, production efficiencies, CAD-CAM operations and working capital.	http://www.ct.gov/ecd/cwp/viaw.asp?a=3931&q=466350
Ex-Im Bank Working Capital Loan Guarantee Program	Financing	Encourages commercial lenders to make working capital loans by providing them with a 90% loan backing guarantee, which decreases their risk.	http://www.exim.gov/products/workingcapital
International Franchise Association, Small Business Lending Summit	Financing	<p>The Small Business Lending Summit was held in Washington, D.C. on April 17, 2012. Although it was facilitated by the International Franchise Association, the overall theme was the access to financing challenges of all small businesses. Speakers at the summit included Neal Wolin, deputy Treasury secretary ;Karen Mills, administrator of the Small Business Administration; and Don Graves, executive director of the President's Council on Jobs and Competitiveness. Additionally, there were presentations from three members of Congress. The summit was hosted by a large number of sponsors, including American Express Merchant Financing, BBVA Compass, Consumer Bankers Association, Bank of America, U.S. Bank, CIT Bank, Coca-Cola, Pepsico, International Franchise Association, FASTSIGNS, among others.</p>	<p>http://smallbusinesslendinghub.com/wp-content/uploads/2012/04/SBLS-agenda-120410-online.pdf</p> <p>http://www.huffingtonpost.com/jerry-chautin/small-business-lending-summit_b_1434519.html</p>
Maine Technology Institute	Financing	An industry-led, publicly-funded, nonprofit corporation that offers early-stage capital and commercialization assistance in the form of competitive grants, loans and equity investment for the research, development and application of technologies that create new products, processes and services, generating high-quality jobs across Maine. Established by the Maine State Legislature in 1999. Every \$1 of MTI funds received generates an additional \$14 in non-MTI funding. Since 2000, MTI has funded 1,295 technology projects in Maine, a financial commitment of \$106 million that has leveraged over \$173 million in additional funding for a total of \$280 million.	http://www.mainetechnology.org/
Maryland / 27 Business Incubators	Financing	Maryland’s 27 business incubators offer shared resources, access to state-of-the-art equipment and facilities, and business assistance. Each has admissions policies, unique facilities, and program objectives.	http://www.choosemaryland.org
Maryland Technology	Financing	Created by the Maryland State Legislature in 1998 to facilitate the transfer and	http://tedco.md/

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
Development Corporation (TEDCO)		commercialization of technology from Maryland's research universities and federal labs into the marketplace and to assist in the creation and growth of technology-based businesses in all regions of the State. Offers mentoring, funding, networking. For start-ups and for established companies striving to reach the next stage.	
The West Virginia Capital Access Program (WVCAP)	Financing	The state's new program designed to increase small business access to capital - \$13.1 million to fund new small business lending programs.	http://www.wvcommerce.org/info/west-virginia-edge/wv-edge-issue1-2012/small_businesses_score_big/wvcap.aspx http://www.statejournal.com/story/16933514/13m-wv-capital-access-program-helping-businesses-create-jobs
United States Small Business Innovation Research (SBIR) program	Financing	Program that encourages domestic small businesses to engage in Federal Research/Research and Development (R/R&D) that has the potential for commercialization.	http://www.sbir.gov/about/about-sbir
West Virginia Jobs Investment Trust Board	Financing	A public venture capital fund created to develop, promote and expand West Virginia's economy by making investment funds available to eligible businesses. .	http://www.wvjit.org/
Women's Initiative for Self-Employment	Financing	Based in New York, NY, the Women's Initiative for Self-Employment Began in 1988 to assist low-income women and in 1990 established the Women's Initiative Revolving Loan Fund to provide small business loans to lower-income women entrepreneurs. After a 10-week business management course and completion of a business plan, clients are eligible to access one-on-one consultations, networking events and business success seminars, and ongoing training through their SuccessLink program, and to apply for loans and Individual Development Accounts.	http://www.womensinitiative.org
Bellingham, Washington and Puget Sound Energy, Green Power Challenge	Government and Business Partnership	The City Bellingham, Washington (from an April 2007 news release) purchases more than 11 percent of all community electricity from green power resources. To achieve this goal, the City's Sustainable Connections and the Puget Sound Energy (PSE) pioneered a community-wide "Green Power Challenge." The challenge promoted development of green power resources through participation in PSE's Green Power Program. Nearly 2,000 households and 110 businesses had enrolled. The City, Whatcom County, and Western Washington University are purchasing enough green power to serve 100 percent of their operations. EPA estimates that Bellingham's community-wide green power purchases equal to eliminating the CO2 emissions of 10,000 passenger cars annually.	http://yosemite.epa.gov/opa/admpress.nsf/6427a6b7538955c585257359003f0230/d92643bf35368a72852572c2007b2188!OpenDocument http://www.djc.com/blogs/BuildingGreen/?p=508 http://www.facebook.com/PSEGreenPower http://www.icleiusa.org/action-center/engaging-your-community/outreach-and-communications-guide/Outreach%20and%20Communications%20Guide.pdf

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
City of Chicago's Green Office Challenge	Government Outreach	The Green Office Challenge is a partnership between the City of Chicago and ICLEI-Local Governments for Sustainability. The Green Office Challenge is designed to help Chicago businesses and employees improve sustainability in the workplace and beyond. The objective is to reduce energy, materials, and water consumption, and increase awareness of sustainability to businesses. Participants that completed the Challenge saved over \$17.5 million in energy costs alone. This also helps Improve reputation and brand image for companies.	http://chicagogoc.com http://www.icleiusa.org/action-center/engaging-your-community/outreach-and-communications-guide/Outreach%20and%20Cmmunications%20Guide.pdf
Kansas City, MO	Government Outreach	The Metropolitan Planning Organization in Kansas City has developed a robust schedule of trainings at the Academy for Sustainable Communities for both public and private sector which are well attended (www.marc.org/sustain). These trainings help to shed light on the different measures that the City and the community can take to reduce emissions.	http://www.marc.org/sustain http://www.icleiusa.org/action-center/engaging-your-community/outreach-and-communications-guide/Outreach%20and%20Cmmunications%20Guide.pdf
Oregon, Office of Minority, Women and Emerging Small Business	Practice	The Office of Minority, Women and Emerging Small Business (OMWESB) administers the Disadvantaged Business Enterprise (DBE), Minority Business Enterprise (MBE), Women Business Enterprise (WBE) and Emerging Small Business (ESB) certification programs. These programs are designed to promote economic opportunities for small businesses. As the sole certification authority in Oregon, OMWESB provides a "one-stop" certification process for Oregon disadvantaged, minority- and woman-owned and emerging small businesses. Certification opens the door to targeted government contracting opportunities.	http://www.oregon4biz.com/Grow-Your-Business/Business-services/Minority-Owned-Business-Certification/
San Francisco Economic Development Alliance (SFEDA)	Referral Network	Collaboration of nonprofit organizations that provide training, funding and ongoing support for small and micro businesses in San Francisco. Achieves mission by <i>formalizing referrals between organizations</i> , actively advocating at the City level for small businesses, leveraging resources and best practices and maintaining meaningful partnerships.	http://sfeda.org
Roanoke Region, Virginia / Roanoke Regional Partnership	Regional Collaboration	High economic impact from use of social media. Focus on strategizing, planning, and implementing regional economic development programs and policies. It represents the counties of Alleghany, Botetourt, Franklin and Roanoke; Roanoke and Salem and the Town of Vinton. The economic development agency, which represents three cities and four counties in southwest Virginia, has four Facebook accounts and four Twitter pages. According to Thomas Becher, president of public relations and advertising agency tba, within one year of adding social media to its communications mix, greenway use in the area was up 29% and state parks usage rose 12% - four times the average in Virginia.	http://www.roanoke.org/partnership http://mashable.com/2010/12/16/cities-social-media-recession/
Enterprise Center of Johnson County	Small Business Innovation	The Enterprise Center of Johnson County (ECJC) provides resources and services to early stage, high-return, high-growth companies in Johnson County, Kansas. ECJC client companies have generated \$123M in sales, of which \$22M was in the last year. A sample case study is with Rhythm Engineering. Over 4 years, ECJC provided angel capital funding, accounting services, office space, and introduced the CEO to resources and people. ECJC had over 3,389% growth rate from 2007-2010.	http://www.ecjc.com http://www.ussourcelink.com/take-5-contest
University of Oklahoma, Center for the Creation of Economic Wealth	Small Business Innovation	Formed in 2006, The Center for the Creation of Economic Wealth (CCEW) is an opportunity for students to partner with Oklahoma University (OU) researchers and private sector mentors to advance early-stage university technologies. This combination of talent aims to enhance Oklahoma's economy through the nurturing of technology-based enterprises.	http://ccecw.ou.edu http://www.slideshare.net/fullscreen/kphodel/ccecw-source-

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
		Since 2006, CCEW has generated 7 million of capital, 4 start-up companies, and 3 licensing agreements.	link-2013/1 http://www.ussourcelink.com/take-5-contest
Delaware / Mobile Apps / Delaware Fresh	Software Tool	A mobile app that promotes farm-fresh produce of 80+ farm stands. A baseline that can be used for promoting other businesses in Delaware.	https://itunes.apple.com/app/delaware-fresh/id446665507 http://www.delaware.gov/apps/
Delaware Economic Development Office (DEDO) / Emerging Technology Center	Software Tool	A virtual Web Portal that provides entrepreneurs with 24/7 access to a service provider network, resources, information, and the expertise critical to developing and launching business ideas.	http://www.delawareetc.org/
Indiana Economic Development Corporation (IEDC) / CRM Tool	Software Tool	The State of Indiana and IEDC have undertaken massive transformations that make the state more economically viable and improve responsiveness, accountability, and efficiency. To achieve these results, the state improved collaboration and data access and automated processes by using an off-the-shelf CRM tool ¹²	
Oregon, Directory of Certified Firms	Software Tool	Since the Oregon, Office of Minority, Women and Emerging Small Business is the sole certification authority in Oregon, they are can easily provide a unified directory of certified firms. Search criteria include, but are not limited to <ul style="list-style-type: none"> • Certification Number • Firm Name • NAIC code • NIGP Code • Certification Type • Location (County, City) • Ethnicity Goals • Keyword Search for Firm Capability ³ 	
Single Stop USA	Software Tool	Has a technology - BEN (Benefits Enrollment Network) – Single Stop’s proprietary benefits screening and case management tool. BEN compiles hundreds of pages of regulations and policies, for a variety of benefits, into a few screens of questions. Counselors compile the information from families and in just 15 minutes can determine eligibility for a wide range of benefits and services. Can be used as a stand-alone tool but best when used in combination with coordinators. ⁴	
U.S.SourceLink	Software Tool	U.S.SourceLink connects business development resources to each other and to a national network of best practices. ⁵	
The Japan External Trade Organization (JETRO)	Trade Organization	JETRO is a non-profit government related organization that promotes trade and investment between Japan and the rest of the world. Has six U.S. branches located in Atlanta, Chicago, Houston, Los Angeles, New York and San Francisco serve the following four main objectives. <ol style="list-style-type: none"> 1. Help U.S. companies establish a Japan office 2. Help U.S. companies find Japanese business partners 3. Connect U.S. investors with cutting edge Japanese technology ventures 4. Showcase premium Japanese goods 	

¹ <http://iedc.in.gov>

² http://www.microsoft.com/casestudies/Case_Study_Detail.aspx?casestudyid=710000001936

³ <http://www4.cbs.state.or.us/ex/dir/omwesb>

⁴ <http://www.singlestopusa.org/program/technology>

⁵ <http://www.ussourcelink.com/about>

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
		The organizational structure of JETRO is unique in that it's modeled much like a service business rather than a government office. In Japan, JETRO has established six Japan Business Support Centers. These centers act as one-stop shops for foreigners who seek to set up a business in Japan. These centers offer physical locations where foreign business executives can go and meet face to face with experts in the Japanese market. ⁶	
Tri-County Metropolitan Transportation District of Oregon (TriMet) / W/MBE Partnership	Practice	TriMet embraced the concept of multiple W/MBE firms to partner and bid on the Interstate MAX contract. 17 local, small trucking firms formed the NE Urban Truckers Consortium and was successful in being awarded \$2.3M on the contract. ⁷	
The Port Authority of New York and New Jersey / Quick Bid Program	Inclusion Program	<p>The Port Authority of New York and New Jersey uses set-aside lists. From the Port Authority of New York and New Jersey Quick Bid web site:</p> <p>Bid Program is another opportunity for M/WBE companies to compete for Port Authority construction contracts in a limited competitive environment. Quick Bid contracts are for small construction contracts that are estimated not to exceed \$500,000 in total cost. When a contract is identified for inclusion in this program, staff will solicit bids from a set-aside list of M/WBE or SBE contractors qualified to perform work in the categories represented by the contracts. This program is designed to shorten the time it takes to award small contracts or a general work in nature. The Authority also provides interested bidders with free construction contract documents for use in preparing and submitting their bids.</p> <p>Furthermore, Under the Set-Aside program, they provision for the possibility that subcontractors will be paid twice per month, in order to assist small businesses to meet their payroll commitments. Specifically, from their website:</p> <p>Payment Information Contracts prepared under the M/W/SBE Set-Aside Program may contain provisions to pay the contractor twice a month to further assist smaller firms in meeting their payrolls.</p> <p>M/W/SBE Special Payment Programs are available to help small business maintain a cash flow.</p>	<p>Getting Started. The Port Authority of New York and New Jersey. http://www.panynj.gov/business-opportunities/sd-getting-started.html</p>
Miami-Dade County, Florida / Equitable Distribution Program	Inclusion Program	<p>Miami-Dade County's Equitable Distribution Program uses bidder rotation. From the Miami-Dade County Website:</p> <p>Miami-Dade County created the Equitable Distribution Program (EDP) to facilitate increased contracting opportunities to community based Architecture and Engineering (A&E) firms, as well as provides County department's access to qualified professionals for smaller projects in</p>	http://www.miamidade.gov/interalservices/equitable-distribution.asp

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http://www.lachamber.com/clientuploads/globalinitiatives_committee/Research/Trade%20Development%20Programs%20and%20Best%20Practices%20for%20SoCal.pdf

⁷ http://trimet.org/pdfs/business/DBE_Workforce_Story.pdf

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
		<p>an expedited fashion without necessitating a formal solicitation process.</p> <p>The program is structured to equitably distribute projects in all County technical certifications to the program participants through a centralized rotational system. Each firm's position, in the technical certification pools, is based on their prior contracting opportunities with the County. The EDP is applicable for all county projects with an estimated construction cost of two million dollars (\$2,000,000) or less and/or study activities less than two hundred thousand dollars (\$200,000) per the thresholds established in Florida State Statute 287.055 for continuous contracts.</p>	
Colorado Department of Transportation (CDOT) / Emerging Small Business (ESB) Program	Inclusion Program	<p>CDOT provides prime contractors incentives to use ESBs. From the CDOT website:</p> <p>The ESB Program seeks to assist small businesses in obtaining work on CDOT construction, professional service, and research contracts. CDOT provides incentives to primes for the utilization of ESB subcontractors/subconsultants on our highway construction, design and study contracts, offer projects restricted for bidding only by ESBs, and provide free technical assistance to firms.</p>	<p>http://www.coloradodot.info/business/equal-opportunity/emerging-small-business-program</p>
American Council for Technology (ACT) – Industry Advisory Council (ICT) / Small Business Conference	Conference	<p>ACT- ICT is a public-private, non-profit partnership dedicated to improving government through the use of information technology. It encourages involvement of all government employees at all levels (federal, state, local) to participate. It also welcomes private sector companies. ACT-ICT hosts an annual Small Business Conference. Key agenda items at the 2013 conference included:</p> <ul style="list-style-type: none"> • Opening Welcome title was "Fueling the Economic Engine - SBA in Action:", delivered by A. John Shoraka, Associate Administrator of Government Contracting and Business Development, Small Business Administration. <ul style="list-style-type: none"> ◦ Workshops included: ◦ Keeping It Real: What is Fair and Reasonable Pricing? ◦ Beyond the Capabilities Pitch, RFI and E-blast: Isn't There a Better Way to Market? ◦ What You Don't Know Can Hurt You: How Do New Regulations Really Impact Small Business? ◦ Winning Isn't Everything: What Customer Service Techniques Drive Success? • Workshop topics focused on agency goals and objectives for the next year and how small companies can help the agencies achieve them. • Panel discussion regarding the importance of small businesses and how they can 	<p>About Us. American Council for Technology and Industry Advisory Council. http://www.actgov.org</p> <p>Small Business Conference. American Council for Technology and Industry Advisory Council. http://www.actgov.org/events/SmallBusiness/SBC2013/Pages/default.aspx</p>

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		<p>help the agencies succeed.</p> <ul style="list-style-type: none"> Exhibitor showcase of federal agencies and private companies The conference ended with a networking reception for attendees to connect. <p>For the 2013 conference, the following agencies and government employees were confirmed:</p> <ul style="list-style-type: none"> Department of Agriculture Department of Health and Human Services Department of Homeland Security – ICE Development Division, Office of Acquisition Management Department of Homeland Security – CBP Department of Housing and Urban Development Department of the Interior Department of Veterans Affairs Department of Transportation General Services Administration Small Business Administration <p>From their website, attendees will learn the following:</p> <ul style="list-style-type: none"> The latest Administration policies and policy changes regarding small business utilization. How government evaluates fair and reasonable pricing New regulations that will affect your bids and your business. Capture strategies Business development of small business The risks of pricing too low LPTA strategies. Strategic sourcing can be leveraged to drive dramatic results How marketing channels are received by the customers Mythbusters effects on vendor communications Taking advantage of small business subcontracting plans 	
North Carolina Department of Transportation (NCDOT)	Inclusion Program	NCDOT's SBE program allows for the waiving of bonding requirements on contracts with SBEs. This applies to SBEs with annual gross incomes of up to \$1.5M, excluding materials. This applies to high contract jobs with SBEs of annual gross incomes of up to \$1.5M, excluding materials.	businessfaq.pdf. North Carolina Department of Transportation. http://www.ncdot.gov/download/business/businessfaq.pdf

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
Columbus, OH / Mayor's Small Business Conference and Expo	Conference	<p>The Mayor's Small Business Conference and Expo is annual event with the October 3, 2012 conference marking its 10th. The theme of the 2012 conference was, "Go Forward: Driving Local Economic Growth through Small Business Inclusion and Sustainability". From the mayor's website, the key points of the event where:</p> <ul style="list-style-type: none"> • Networking with nearly 100 city leaders, speakers, panelists and buyers as well as 40 expo businesses who will share their professional expertise and contracting opportunities with you • More than a dozen in-depth workshops imparting valuable information and practical tools to help new and experienced business owners improve their chances of winning contracts • On-site registration for required City contract compliance to become immediately eligible to bid on contracts from the City • A luncheon featuring Caroline Clarke, Executive Editor and host of Black Enterprise Business Report, Black Enterprise magazine's national television show and a Bicentennial Salute to the City's minority and female business owners • A professional development opportunity for government employees and procurement professionals <p>Some of the key sessions on the agenda included:</p> <ul style="list-style-type: none"> • On Ramp to City Contracts - "Certification Matters" • Fueling Construction Success - "Accessing the City's Construction Program" • On Ramp to City Contracts - "Successful Contracting with the City" • Accelerate Opportunity - "Access Capital & Financial Capacity" • Fueling Construction Success - "Construction Diversity Roundtable" • Shift to Diverse Supplier Inclusion - "Best Practices" (Open to Procurement Professionals & Public Sector Employees Only) • 2013 Goods & Services Contract Opportunities & Resources" • 2013 Regional Contract Opportunities & Resources • 2013 Construction Contract Opportunities & Resources 	<p>Small Business Conference and Expo, Columbus, Ohio. City of Columbus. http://msbc2012.columbus.gov</p>
B2Gnow / Supplier Diversity and Compliance Management Software	Software Tool	<p>A critical component of a supplier diversity program is the compliance management. There are several software vendors that offer products to public sector for the automation of compliance processes and tracking of data.</p> <p>B2Gnow offers a suite of products to governments at all levels for supplier diversity, contract compliance, concession compliance (such as tracking airport retail, food/beverage, and rental car concession contracts), certification management, targeted outreach, labor</p>	<p>B2Gnow – Software for Government. B2Gnow. http://b2gnow.com/Products/ContractCompliance.asp</p> <p>http://www.lcptracker.com/documents/B2GnowLCPtrackerDatashets.pdf</p>

ORGANIZATION / PRACTICE / TOOL	CATEGORY	SYNOPSIS	REFERENCES
		<p>compliance, insurance management, and payment analysis. In particular, the contract compliance product includes these key features:</p> <ul style="list-style-type: none"> • Track construction, service, supply, and professional service contracts. • Maintain compliance with the United States Department of Transportation federal regulation 49 CFR Part 26. • Contractors submit monthly/quarterly utilization reports online, and automatically track MWDBE goals. • MWDBE subcontractors verify contractor payment data online, including prompt payments of subcontractors. <p>From the B2Gnow website, these are some of the sample questions that the compliance product will be able to address:</p> <ul style="list-style-type: none"> • What was the percentage of spend with SMWDBE firms in the third quarter of 2012? • What proportion, in dollar terms, of contract award were made to firms owned by Hispanic males in January 2013? • What is the aggregate SMWDBE rate for your top 10 contracts? • What is the current SMWDBE rate on all of your organizations active contracts? • What fraction of professional services were performed by American Indian businesses in the second half of 2012? • How many HVAC contractors within fifty miles are woman-owned small businesses? <p>B2Gnow products are used by many federal, state, and city governments such as the FAA, Arizona DOT, Nevada DOT, City of Houston, and City of New York.</p>	
Early Morning Software, Inc. / PRISM Compliance Management (PCM)	Software Tool	<p>An essential part of a supplier diversity and compliance management is a technology infrastructure to automate the processes and track the data. Several software vendors offer products to meet these objectives.</p> <p>PRISM Compliance Management, a division of Early Morning Software, Inc., is a supplier diversity and compliance management software product. For state and local governments, the PRISM Compliance Management website identifies the three “C’s” as:</p> <p>Certification: Whether you organization maintains its own certification program or uses a trusted jurisdiction approach or a combination of the two, PRISM provides integrated productivity tools that will improve the efficiency and accuracy of the certification process with more efficient workflows and consistency of information.</p>	<p>PRISM Compliance Management. http://prismcompliance.com</p> <p>PRISM Solutions. PRISM Compliance Management. http://prismcompliance.com/pages/PRISM_solutions.html</p>

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		<p>Collection: PRISM provides web based vendor facing tools to efficiently gather information at both the Certification and compliance stage of the process. PRISM is recognized as the friendliest solution on the market.</p> <p>Compliance: As programs mature and the law around diversity programs evolve, it is clear that monitoring the commitment stage can miss the last mile of actual payments to certified vendors. PRISM is integrated with your financial system and configured to support your process to not only follow the money but does so in a way that secures the acknowledgement of all the contract participants.</p> <p>The PRISM Contract Management module offers these key features:</p> <ul style="list-style-type: none"> • Track prime and M/WBE subcontractor goals, waivers, and utilization plans • Ability to assign funding sources and report by funding source and diversity type • Track subcontractors and subcontractor tiers. • Track retainage • Track MBE participation on multiple contract purchase types such as capital construction, commodities, small procurement, and credit card. <p>PRISM Compliance Management is used by many public sector entities such as the City of Atlanta and Cook County, Illinois.</p>	
U.S. General Services Administration, Office of Small Business Utilization / Networking Events	Networking	<p>The U.S. General Services Administration, Office of Small Business Utilization hosts several networking events for small businesses. As an example, the following was posted for the Kansas City Small Business Networking Event for May 14, 2013:</p> <p>Come to historic Union Station to share and increase your business opportunities by building new relationships with some of the 150 attendees - from small to large business, government reps and business resource providers.</p>	<p>Small Business Event – Kansas City Small Businesses Networking Event May 14th – Federal Business Opportunities. Federal Business Opportunities. https://www.fbo.gov/?s=opportunity&mode=form&id=fae7fc2a8ee96431385d0d4df497f852&tab=core&_cview=0</p>
Constructing Success 2013	Education	<p>Construction Success 2013 is a local, one-day event of learning and relationship building for small, minority, and women owned businesses in the construction industry.</p> <p>This event was sponsored by, Adolfson & Peterson Construction, AECOM, Ames Construction, Associated, General Contractors of Minnesota, Association of Women Contractors of Minnesota, Carl Bolander and Sons, Inc., City of Saint Paul, Egan Company, Fabyanske, Westra, Hart & Thompson, P.A., JE Dunn Construction, Kraus-Anderson Construction, Metropolitan Airports Commission, Metropolitan Council, Metropolitan Economic Development Association/PTAC, Minnesota Department of Transportation, Mortenson Construction, National Association of, Minority Contractors/UM, PCL Construction Services, Ryan Companies, S.R. Weidema Inc., Walsh Construction</p>	

Appendix B: Details of Challenges, Needs, Barriers, Gaps, and Overlaps

This section provides details of the challenges, needs, barriers, gaps, and overlaps identified from interviews with organizations providing support services to small businesses. This information may be subject to future updates from providers.

Service Providers

ORGANIZATION		TOP CHALLENGES	GREATEST NEEDS	BARRIERS AND GAPS	OVERLAPS
African Development Center (ADC)	Related to Provider	1. Capacity to meet demand	1. Funding to hire more staff	<ul style="list-style-type: none"> Ability to provide more technical assistance due to lack of resources and funds. 	<ul style="list-style-type: none"> In Twin Cities area, overlaps with providers for financial assistance and technical assistance.
	Related to Customer	1. Language 2. Culture 3. Technical skills 4. Assessing 5. disinformation or irrelevant information	1. Training on anything related to their businesses. For example, how to deal with government, how to access resources, and accounting. 2. Technical assistance, especially one-on-one business consulting 3. More capital 4. Networking and relationships to the larger community and larger businesses	<ul style="list-style-type: none"> Culture Having a Muslim name. Being black in America. Being an immigrant Awareness of available resources Language Understanding of business Understanding of accounting basics Lack of understanding of financial planning Lack of knowledge of requirements to secure loans State-funded projects too large Certification process Lack of collateral Availability of mentors Financing at all stages, from later stage Working capital 	
Asian Economic Development Association (AEDA)	Related to Provider	1. Capacity to meet demand	1. Funding to hire more staff	<ul style="list-style-type: none"> Ability to provide more assistance due to lack of resources 	<ul style="list-style-type: none"> Overlaps exist for technical assistance and financial assistance in the Minneapolis and St. Paul areas.
	Related to Customer	1. Financing to start business 2. Business knowledge 3. Understanding of government regulations	1. Access to capital	<ul style="list-style-type: none"> General understanding of running a business Awareness of available resources Language Sales and marketing Lack of understanding of accounting Not understanding the financials required for financing Understanding of city and state codes Hesitation of businesses to seek answers 	

				<ul style="list-style-type: none"> from govt • Lack of collateral • Government outreach programs do not fully understand cultural differences • Financial assistance • Working capital • Lack of understanding of demographics of target market - MEDA is collecting this data 	
Association of Women Contractors (AWC)	Related to Provider	1. Capacity to meet demand	1. Funding to hire more staff		None
	Related to Customer	<ol style="list-style-type: none"> 1. Lack of working capital 2. Certification process 3. Bidding direct on state-funded projects 4. Business knowledge 	<ol style="list-style-type: none"> 1. Access to capital Access to potential customers 	<ul style="list-style-type: none"> • Bonding requirements • Retainage requirements • Knowledge required to obtain financing • Lack of collateral • Lack of business assistance to Caucasian women - perception that "minority-owned" businesses are favored • Union affiliation when very small. • Large contractors can low bid to maintain cash flow - small contractors do not have the wherewithal • Time available to build relationships while running business 	
City of Brooklyn Park, Economic Development Division	Related to Provider	1. Lack of funding for technical assistance	<ol style="list-style-type: none"> 1. More funding for loans 2. More funding for technical assistance 	<ul style="list-style-type: none"> • Geography. Providing services near to businesses • Financing larger amounts (greater than \$100,000) 	<ul style="list-style-type: none"> • Technical Assistance • Lending
	Related to Customer	<ol style="list-style-type: none"> 1. Need for financing 2. Knowledge of running a business 	<ol style="list-style-type: none"> 1. Financing 2. Technical Assistance 3. Understanding how to run a small business 	<ul style="list-style-type: none"> • Financing for second-stage companies 	
Hennepin County Community and Economic Development	Related to Provider			<ul style="list-style-type: none"> • Financing for second-stage businesses • Cross-city collaboration 	
	Related to Customer	1. Uncertainty of the future. Planning farther than one year	<ol style="list-style-type: none"> 1. Technical assistance 2. Financing 		
Hispanic Chamber of Commerce	Related to Provider			<ul style="list-style-type: none"> • Collateral • Language • Regulations 	
	Related to Customer	<ol style="list-style-type: none"> 1. Regulatory requirements 2. Lack of working capital 	1. Access to information in formats they can understand, such as language	<ul style="list-style-type: none"> • Language • On state-funded projects, too large for small businesses to bid • Fearful of calling the State 	

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		3. Lack of understanding on how to expand appropriately 4. Inefficient business planning	2. Marketing themselves 3. Financing 4. Awareness of business opportunities, including government RFPs		
Latino Economic Development Center (LEDC)	Related to Provider		1. More funding for resources	• Lack of resources to meet demand	
	Related to Customer	1. Lack of Collateral 2. Lack of working capital	1. Access to capital 2. Access to opportunities	• Cultural differences • Language • Business understanding • State-funded projects too large for small businesses as prime • Lack of provider resources • Hesitation or fear of approaching government	
Metropolitan Consortium of Community Developers (MCCD)	Related to Provider			• Funding for loans • Funding for technical assistance	• Overlaps with other providers for lending and technical assistance
	Related to Customer	1. Business knowledge	1. Financing 2. Technical assistance 3. Access to procurement opportunities	• Credit • Collateral	
Midwest Minority Supplier Diversity Council (MMSDC)	Related to Provider			• Staff to engage on additional projects such as the Vikings stadium	• Overlaps with organizations such as Women's Business Enterprise National Council (WBENC), MEDA, and SBA
	Related to Customer	1. Access to opportunities 2. Financing	1. Access to corporate decision makers 2. Revenue generating opportunities 3. Access to capital 4. Access to quality employees 5. Exposure to successful management practices	• Access to opportunities • Financing • Awareness of agencies' programs • Awareness of state-funded projects	
City of Minneapolis, Department of Community Planning & Economic Development	Related to Provider		1. More capital 2. Secondary market for loans 3. More effort with helping start-ups. 4. Additional incentives for development of North Minneapolis	• Outreach to market programs. Have not done enough. • Reaching limit on loan capacity because there is no secondary market for loans.	

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	Related to Customer	<ol style="list-style-type: none"> 1. Lack of time for prospecting new customers 2. Lack of knowledge with fundamentals business functions such as accounting, bookkeeping, taxes 3. Lack of time to plan expansion – consumed with day-to-day operations 	<ol style="list-style-type: none"> 1. Connecting to new customers 2. Awareness of opportunities, including state-funded projects 3. Networking 4. Financing 5. Technical assistance 	<ul style="list-style-type: none"> • Awareness of state-funded projects • Lack of credit 	<ul style="list-style-type: none"> • Services from providers. Confusing to businesses. Some formal collaboration among providers has been done but not insufficient.
Minnesota Chamber of Commerce	Related to Provider				
	Related to Customer	<ol style="list-style-type: none"> 1. Timeliness of response from government with issues or questions regarding regulations, such as OSHA regulations 2. Hesitation and fear of S/W/M/VBEs to call government entities regarding questions and issues 	<ol style="list-style-type: none"> 1. Access to government contracts and other procurement opportunities 2. Financing 	<ul style="list-style-type: none"> • Banks are not adjusting lending practices for small businesses • On government projects, perception is a lack of rigorous enforcement for utilization of S/W/M/VBEs • Excessive government regulations 	
Minnesota Department of Transportation (MnDOT)	Related to Provider				
	Related to Customer	<ol style="list-style-type: none"> 1. Credit 2. Collateral 	<ol style="list-style-type: none"> 1. Access to contracting opportunities 2. Financial assistance 3. Technical assistance 		
Minority Economic Development	Related to Provider			<ul style="list-style-type: none"> • Funding for consultants with expertise in customers' industries 	

Association (MEDA)	Related to Customer	<ol style="list-style-type: none"> 1. Disciplines to manage finances 2. Minority business owners are more disadvantaged than they perceive 3. Certification process 	<ol style="list-style-type: none"> 1. Technical assistance 2. Financing 3. Access to market opportunities 	<ul style="list-style-type: none"> • Retainage requirements on state-funded projects • Inability for buyers on state-funded projects to easily find minority-owned companies • Timely enforcement of minority business utilization goals 	
National Association of Minority Contractors (NAMC) - Upper Midwest Chapter	Related to Provider			<ul style="list-style-type: none"> • Lack of funding for technical assistance 	
	Related to Customer	<ol style="list-style-type: none"> 1. Competing on low-bid contracts 2. Credit score 3. Ability to obtain bonding 4. With some government entities, retainage requirements 5. Discrimination of minorities 	<ol style="list-style-type: none"> 1. Access to profitable contracting opportunities 2. Financing 3. Payment terms that do not extend beyond 30 days 	<ul style="list-style-type: none"> • Small business not able to compete on RFPs when pricing is the only evaluation criteria - inability to obtain volume pricing from suppliers • Perception that women-owned contractors are favored over minority-owned contractors 	
Neighborhood Development Center (NDC)	Related to Provider		<ol style="list-style-type: none"> 1. More funding from state to add resources 	<ul style="list-style-type: none"> • Capacity to assist with developing and building businesses 	
	Related to Customer	<ol style="list-style-type: none"> 1. Lack of credit 2. Lack of collateral 3. Lack of differentiation – many entrepreneurs have same business idea 4. Naivety about running a business 5. Lack of understanding of businesses fundamentals such as accounting, bookkeeping, and, tax preparation 6. Language 7. With some, legal status 	<ol style="list-style-type: none"> 1. Technical assistance on all aspects of business 2. Access to capital 3. Networking opportunities 	<ul style="list-style-type: none"> • Language • Breaking a business out from an ethnic niche to be a more global business 	

Strategies to Support the Survival and Growth
of Small Businesses in the 11 County Twin Cities Metro Area

Northside Economic Opportunity Network (NEON)	Related to Provider	1. Lack of funding for staff to provide technical assistance and educational services	1. More funding for staff to provide technical assistance (such as one-on-one business consulting) and educational services	• Lack of staff to meet demand	
	Related to Customer	1. Securing capital. Furthermore, securing enough capital to maximize success 2. Credit 3. Technology education such as Microsoft Word, Excel, and using search engines 4. Education. In region, 50% have a high school education, 20% have earned college degree	1. Education 2. Credit 3. Access to capital 4. Technical assistance such as accounting and marketing	• Lack of credit • Lack of business education • Lack of personal wealth to begin a business	
ProBID	Related to Provider			• Funding for specialists in industries of customers	
	Related to Customer	1. Business knowledge 2. Certification process	1. Training	• Legal advice missing from most providers' services	
Saint Paul Area Chamber of Commerce	Related to Provider				• Saturation of chambers in Twin Cities metro area
	Related to Customer	1. Regulatory compliance	1. Less regulatory compliance 2. Fewer impediments for small businesses to procure		
Twin Cities Small Business Development Center	Related to Provider			• Saturation of providers in Twin Cities metro area mitigates the visibility the Twin Cities SBDC • Funding for technical assistance	• In Twin Cities metro area, overlaps of organizations that provide services to small businesses
	Related to Customer	1. Economy 2. Knowledge of sales, marketing, and business operations	1. Sales 2. Accounting knowledge 3. Access to capital	Lack of credit	
SPARC	Related to Provider			• Funding to provide technical assistance • Funding to provide loans • Funding for marketing	

	Related to Customer	<ol style="list-style-type: none"> 1. Significant losses over last couple of years 2. Aging buildings that needed improvements 3. Insufficient collateral 4. Knowledge of good business practices, especially accounting 5. Sustainability for business owners – many are sacrificing salary and balance in their lives 	<ol style="list-style-type: none"> 1. Capital 2. Technical assistance 3. Other business needs such as facilities 	<ul style="list-style-type: none"> • Collateral • Inefficient processes with city of St. Paul to address issues and questions regarding codes and regulations for small businesses • Some City of St. Paul's codes and regulations are outdated, such as fire codes 	
WomenVenture	Related to Provider	<ol style="list-style-type: none"> 1. Excessive time spent working on federal and state regulations and compliance 	<ol style="list-style-type: none"> 1. More flexible loan options for customers 	<ul style="list-style-type: none"> • Lack understanding of the market. For example, do not have many minority customers. Need to better identify the market. 	<ul style="list-style-type: none"> • On services with other organizations such as NDC, MCCD, ADC. However advantage is ability to combine and package loans.
	Related to Customer	<ol style="list-style-type: none"> 1. Lack of Credit 2. Access to opportunities 3. Cash flow 4. Dealing with poor economy 	<ol style="list-style-type: none"> 1. Support network 2. Fellowship opportunities with other entrepreneurs 3. Access to capital 	<ul style="list-style-type: none"> • Lack of collateral • Lack of credit • Certification process 	

Focus Groups

The section summarizes the results from the four groups conducted with owners and representatives of small businesses.

FOCUS GROUP	TOP CHALLENGES	GREATEST NEEDS	BARRIERS AND GAPS	OVERLAPS
W/M/VBEs	<ol style="list-style-type: none"> 1. Funding 2. Lack of collateral 3. Lack of credit 4. Understanding of certifications required 5. Certification process 	<ol style="list-style-type: none"> 1. Financing 2. Working capital 3. Capital to grow 4. Access to legal advice on bro-bono or cost-effective basis 	<ul style="list-style-type: none"> • Veteran-owned businesses not part goals or preferences at same level as W/MBEs. • Perception that government and prime contractors tend to work with incumbents or known businesses. • No single directory to search for W/M/VBEs • Most providers do not or cannot provide legal advice • Lack knowledge of available providers 	
Contractors	<ol style="list-style-type: none"> 1. Working capital 2. Bonding requirements 3. Retainage requirements 4. Lack of collateral 5. Lack of credit 6. Lack knowledge of certifications required 7. Certification process 	<ol style="list-style-type: none"> 1. Working capital 2. Capital to grow 3. Access to opportunities 	<ul style="list-style-type: none"> • As a subcontractor, after contract award, given the low-margin work from prime contractors • As a subcontractor, after contract award, not given any work from prime contractors • W/M/VBEs liaisons do not have the authority for remediation of disparities, if needed. • Payment terms from Prime Contractors or certain government entities are too long • Bonding requirements • Retainage requirements • Awareness of opportunities • Certification process • Fear that filing a protest with a government unit could lead to denial of future opportunities • Lack of networking opportunities • Lack knowledge of available providers • State-funded projects too large for S/W/M/VBEs to bid 	
Suppliers	<ol style="list-style-type: none"> 1. Lack of capital 2. Lack of collateral 3. Awareness of certifications required 4. Certification process 	<ol style="list-style-type: none"> 1. Financing 2. Working capital 3. Long term financing 4. Access to opportunities 	<ul style="list-style-type: none"> • W/M/VBEs liaisons do not have the authority for remediation of disparities, if needed. • Limited number of suppliers in certain industries unfairly favors the large businesses, the incumbents, or the known businesses. • Lack knowledge of available providers • Bidding on low-price is difficult for W/M/VBEs due to inability to get volume discounts from wholesalers or manufacturers. • Payment terms from Prime Contractors or certain government entities are too long • Bonding requirements • Retainage requirements • Awareness of opportunities • Certification process 	

FOCUS GOUP	TOP CHALLENGES	GREATEST NEEDS	BARRIERS AND GAPS	OVERLAPS
			<ul style="list-style-type: none"> • Fear that filing a protest with a government unit could lead to denial of future opportunities • Lack of networking opportunities • State-funded projects too large for S/W/M/VBEs to bid • W/M/VBEs sometimes has negative connotation from perspective of buyers • Awareness of availability of providers 	
General Small Businesses	<ol style="list-style-type: none"> 1. Access to opportunities 2. Working capital 3. Lack of collateral 4. Certifications required are difficult to understand 5. Certification processes are difficult to understand 	<ol style="list-style-type: none"> 1. Financing 2. Working capital 3. Access to opportunities 	<ul style="list-style-type: none"> • Access to opportunities • Sustainability not a priority with buyers • Lack of compliance of S/W/M/VBEs by prime contractors. • Perception of gaps with enforcement of prime contractors' utilization of S/W/M/VBEs • Resistance of government entities and prime contractors to use new small businesses • State-funded projects too large for S/W/M/VBEs to bid • For certain industries, a challenge for S/W/M/VBEs to compete on price alone, so preferences should be given to other qualifications • Bonding requirements • Retainage requirements • Networking opportunities • Lack of knowledge of available providers • Lack of understanding of the loan process • No single repository for buyers to find certified S/W/M/VBEs 	

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